

1. What is the SARFAESI Act?

- The SARFAESI Act (Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act) allows banks and financial institutions to auction residential or commercial properties to recover loans without the court's intervention.

2. What does DRT stand for in debt recovery?

- DRT stands for Debt Recovery Tribunal, a court that handles cases related to loan defaults and assists banks in recovering debts.

3. What is the maximum time a debtor has to file an appeal in the DRT?

- A debtor has 45 days to file an appeal in the DRT after receiving notice.

4. What is the role of a Recovery Agent?

- A Recovery Agent's role is to assist financial institutions in recovering overdue payments while adhering to legal and ethical standards.

5. What is the minimum threshold for filing a case under the SARFAESI Act?

- The minimum threshold is ₹1 lakh for secured loans.

6. What should be the agent's behavior if the debtor refuses to communicate?

- The agent should remain calm, professional, and avoid aggressive or harassing behavior. Follow-up communication should be scheduled, respecting the debtor's privacy.

7. What are the consequences of not adhering to RBI guidelines in debt recovery?

- Consequences can include fines, penalties, suspension, or cancellation of the agent's certification.

8. What is a 'Notice of Demand'?

- A notice issued to the debtor demanding payment of outstanding dues before legal action is initiated.

9. Explain the concept of 'Ombudsman' in financial services.

- The Ombudsman is an official appointed by the RBI to resolve customer grievances related to banking and recovery practices.

10. What is a 'secured loan'?

- A secured loan is a loan backed by collateral such as property, vehicle, or other assets.
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11. What is the RBI's role in debt recovery?

- The RBI issues guidelines that recovery agents must follow, ensuring ethical practices and customer protection.

12. What is considered harassment in debt recovery?

- Harassment includes frequent, abusive calls, visiting debtors at odd hours, and using threats or force.

13. What is the tenure for a recovery agent's certification?

- Recovery agent certification is usually valid for 5 years, after which it needs to be renewed.

14. What actions can the DRT take to recover debt?

- The DRT can order the attachment of debtor's properties, enforce sales of assets, and issue recovery certificates.

15. What should an agent do if a debtor claims financial hardship?

- The agent should advise the debtor on restructuring options or partial payments, while also reporting the situation to the lender.

16. What is 'moratorium period' in loan recovery?

- A moratorium period is the temporary suspension of loan repayment, typically provided in special cases like emergencies or financial hardship.

17. How does repossession of assets work?

- Repossession involves the bank taking control of a debtor's collateral (e.g., car, property) if they default on the loan, following a legal process.

18. Explain 'Non-Performing Asset' (NPA).

- An NPA is a loan where the borrower has stopped making payments, usually for 90 days or more.

19. What is the importance of ethical behavior in debt recovery?

- Ethical behavior ensures trust, reduces disputes, and complies with legal frameworks, protecting the agent and the institution from legal issues.

20. What is 'force majeure' in loan contracts?

- Force majeure refers to unforeseen circumstances (e.g., natural disasters) that prevent debtors from fulfilling contractual obligations.
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21. What are the key components of a recovery agent's code of conduct?

- Key components include professionalism, empathy, respect for privacy, compliance with laws, and avoiding harassment.

22. How can a debtor appeal a recovery notice?

- The debtor can appeal to the DRT within 45 days of receiving the recovery notice.

23. What is the difference between secured and unsecured loans?

- Secured loans are backed by collateral, while unsecured loans are not.

24. How long does a bank wait before classifying a loan as 'bad debt'?

- A loan is typically classified as 'bad debt' after 180 days of non-payment.

25. What are the RBI guidelines regarding the time of day for collection calls?

- Calls can only be made between 8 AM and 7 PM, as per RBI guidelines.

26. What is a 'Settlement Offer'?

- A settlement offer is a proposal from the lender allowing the debtor to pay a reduced amount to close the loan account.

27. What is the function of a 'Recovery Certificate' in DRT?

- A recovery certificate issued by the DRT allows the lender to recover the dues from the debtor's assets.

28. Can a recovery agent physically threaten a debtor?

- No, any form of physical or verbal threats is illegal and against the ethical guidelines for recovery agents.

29. What is an 'Asset Reconstruction Company' (ARC)?

- ARCs are specialized entities that buy bad debts from banks and attempt to recover them.

30. What should an agent do if a debtor is uncooperative?

- The agent should document the interaction and escalate it to the lender while maintaining professional conduct.
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31. Explain the concept of 'rescheduling a loan'.

- Rescheduling involves extending the loan tenure or changing payment terms to make it easier for the debtor to repay.

32. What is the role of a third-party mediator in debt recovery?

- A mediator facilitates negotiations between the lender and debtor to reach an agreeable repayment solution.

33. How can recovery agents help with loan settlements?

- Agents can negotiate with debtors to offer settlement plans, where a partial payment is accepted as full payment of the loan.

34. What is the RBI's stance on data privacy in debt recovery?

- Agents must respect the debtor's privacy and handle their data in compliance with RBI's data protection guidelines.

35. What is a foreclosure notice?

- A foreclosure notice informs the debtor that the lender will initiate legal proceedings to sell the collateral due to non-payment.

36. What is a 'loan restructuring plan'?

- A restructuring plan modifies the loan terms, such as lowering the EMI or extending the repayment period, to accommodate the debtor's financial situation.

37. What are the penalties for unethical recovery practices?

- Penalties include fines, loss of certification, and potential legal action against the agent or institution.

38. Explain 'credit counseling'.

- Credit counseling provides debtors with guidance on managing their debts and finances effectively to avoid future defaults.

39. What should an agent do if a debtor lodges a formal complaint?

- The agent should immediately report the complaint to the lender and stop all recovery actions until the matter is resolved.

40. What is the role of RBI in regulating recovery agents?

- The RBI issues guidelines and regulations that recovery agents must adhere to, ensuring ethical and legal compliance.
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41. What should a recovery agent do if a debtor requests more time to pay?

- The agent should assess the request and suggest possible options, such as restructuring or partial payments, and report the case to the lender.

42. Explain 'repossession of collateral'.

- Repossession involves legally seizing the collateral from a debtor who has defaulted on the loan, with the intention of auctioning it to recover the debt.

43. What is the 'cooling-off period' after a loan settlement?

- The cooling-off period is the time given to a debtor to reconsider the settlement terms before finalizing the agreement.

44. What is a 'default notice'?

- A default notice is a formal letter issued to the debtor, informing them that they have failed to make their loan payments and that legal action may follow.

45. What should an agent do if a debtor denies owing money?

- The agent should provide the necessary documentation and loan records to prove the outstanding amount while maintaining professionalism.

46. Explain the term 'discharge of debt'.

- Discharge of debt means the debt has been fully paid or legally forgiven, releasing the debtor from any further obligations.

47. What is the significance of 'post-dated checks' in recovery?

- Post-dated checks are often taken as security for future payments, but they must be handled carefully to avoid fraud or mishandling.

48. Can agents use social media to contact debtors?

- Agents are typically prohibited from using social media for debt recovery due to privacy concerns and RBI regulations.

49. What should agents avoid when communicating with family members of a debtor?

- Agents should avoid discussing debt details with anyone other than the debtor, respecting the debtor's privacy.

50. How can agents ensure compliance with DRA certification?

- Agents should undergo regular training, stay updated with laws, and follow the ethical guidelines and RBI directives to maintain compliance.